

## GRIT REAL ESTATE INCOME GROUP LIMITED

(Registered in Guernsey)

(Registration number: 68739)

LSE share code: GR1T

SEM share codes (dual currency trading): DEL.N0000 (USD) / DEL.C0000 (MUR)

ISIN: GG00BMDHST63

LEI: 21380084LCGHJRS8CN05

("Grit" or the "Company" or the "Group")

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### ASSET DISPOSAL AND STRATEGY UPDATE

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The Board of Directors (the "Board") of Grit Real Estate Income Group Limited, a leading pan-African income real estate company, focused on investing in, developing and actively managing a diversified portfolio of assets underpinned by predominantly US\$ and Euro-denominated long-term leases with high-quality multi-national tenants, is today providing an update on its non-core asset disposal strategy and progress made on transactions.

#### Executive summary

- The Board remains committed to a high quality diversified real estate portfolio underpinned by predominantly US\$ and Euro-denominated long-term leases with high-quality multi-national tenants. The Grit 2.0 strategy targets a medium-term annual total return target of 12%-15% through focusing on resilient and impact sectors where Grit can capture accretive development margins.
- With the backdrop of the challenging macro-economic environment, the Board last year indicated an acceleration of non-core asset disposals to strengthen the balance sheet (through debt reduction) and to position the Group for opportunities in its strategic focus areas. The Board is pleased to provide this update:
  - Non-binding heads of terms have been signed for the disposal of Tamassa resort, a Mauritian hospitality asset at an implied net initial yield of 6.5% (excluding potential variable rentals).
  - The Group is currently in preliminary discussions with external parties for the disposal of a further 4 non-core retail and non-strategic corporate accommodation assets.
  - Proceeds from the sale of these assets will be used to reduce the Company's more expensive debt facilities.
  - The Group's development subsidiary is exploring opportunities to merge its Diplomatic Housing assets with Verdant Ventures, a strong industry player, providing the combined entity with scale and opportunity for increased exposure in this resilient sector.

#### Bronwyn Knight, CEO of Grit, commented:

"Grit continues to focus on refining its real estate portfolio and intends to apply proceeds from completed asset disposals to Group debt level reductions. The signing of heads of terms for the disposal of Tamassa resort demonstrates strong progress towards these targets and positions us for future growth in resilient sectors like embassy accommodation, where the Group are also exploring options to merge DH Africa with Verdant Ventures in a transaction that will position DH Africa as the leader in turnkey diplomatic housing solutions across the African continent for the US, UK and other governments."

#### **Asset disposals and capital allocation**

In 2022 Grit embarked on an in-depth analysis of the returns of each of its assets and earmarked non-core properties for disposal. The Group achieved its initial \$160 million disposal target and has redeployed these proceeds to the acquisition of GREA and to Group debt reduction. The impacts of these actions are increasingly evident in Grit's operating performance where contributions to net operating income ("NOI") from the hospitality sector and LLR have materially reduced and are being replaced with NOI from GREA completed assets in the healthcare, data centre, light industrial and office sectors.

Earlier this year the Board extended the asset disposal strategy, with proceeds principally earmarked to reduce Group debt. Four immediate opportunities have been identified in the non-core portfolio, including retail, corporate accommodation and hospitality asset disposals.

#### **Proposed disposal of Tamassa Resort**

Non-binding heads of terms have been signed for the disposal of the Tamassa Resort, a 4-star resort and spa located in the south of Mauritius, at an implied net initial yield of 6.5% (excluding potential variable rentals).

Acquired in March 2017 for US\$40.0 million and leased to the Lux Island Resorts Ltd, Tamassa has consistently been a high-performing asset.

Hospitality is however a non-core sector and the Board believes this transaction could present a good opportunity to realise its current value and apply the net sales proceeds to reduce the Company's debt. The transaction is expected to be concluded by the end of December 2024 upon which Grit's exposure to the hospitality sector (by value) is expected to fall to below 4%. Further updates will be provided when binding transaction agreements have been executed.

### ***Other targeted disposals***

A number of other retail and non-strategic corporate accommodation assets across the Group are currently the subject of early stage disposal discussions. These assets are regarded as non-core sector assets, however transactions will only be concluded if the appropriate values can be achieved. Exposure to the retail sector would be materially reduced and proceeds applied towards debt repayments. Further updates will be provided later this year.

## **REPOSITIONED FOR GROWTH IN THE MEDIUM TERM**

Grit's 2.0 strategy, implemented over the past 24 months, is resulting in a simplified operational structure and is positioning the Group for substantial capital value and income growth from existing and newly developed impact assets with long-term hard currency leases. The Group's real estate assets are now largely grouped into sector-focused subsidiaries, with the more extensive future development opportunities positioned within GREA (the Group's development subsidiary). These include:

- Light industrial and logistics assets (Bora Africa),
- Diplomatic housing assets (DH Africa),
- ICT-related assets, such as data centres and Business Process Outsourcing ("BPO") facilities (within Bora Africa), and
- Healthcare assets (Healthcare Africa).

GREA is positioned to deliver the pipeline of developments, targeting minimum internal rates of return in excess of 16%, that will provide Grit substantial net asset value and earnings growth once completed and once rental income streams have stabilised. Moreover, Grit will manage most of these assets through Grit Real Estate Services, earning additional revenue income. Further strategy updates in relation to these sector vehicles are presented below:

### ***Diplomatic Housing Africa (DH AFRICA) – currently 100% owned by GREA***

#### ***Proposed merger with Verdant Ventures***

GREA is currently in discussions with US-based diplomatic housing developer, Verdant Ventures ("Verdant") on a possible merger of DH Africa and Verdant, with GREA expected to take a majority interest in the enlarged entity. GREA and Verdant co-developed the award-winning Elevation Diplomatic Residences in Addis Ababa, Ethiopia as well as the Rosslyn Grove Diplomatic Apartment and Townhouse Complex in Nairobi, Kenya.

A Framework agreement has been signed and the proposed merger will see, upon conclusion, Verdant transfer its interest in Elevation Diplomatic Residences in Ethiopia and Rosslyn Grove in Kenya for an interest in the merged entity. These assets are currently 50% owned by GREA and were previously accounted for as associates.

The merger will provide impetus to the Grit 2.0 "co-investment" strategy, with a much larger and sustainable substructure, including an enhanced focus on its main tenant (and one of the Group's largest clients), the US Government. Further details on valuations, expected balance sheet and financial impacts will be announced in due course, should a final transaction be concluded.

### ***Industrial sector assets (Bora Africa) – 100% owned by GREA***

#### ***Mezzanine financing update***

The International Finance Corporation (a division of the World Bank) subscribed for a 9 year \$16.8 million perpetual preference note in April 2024. The note carries a coupon of 6 month SOFR + 300bp, with the proceeds applied to the acquisition of African Data Centres phase 1 from GREA at the most recent independently appraised valuation of \$28.0 million. This transaction positions Bora for further ADC data centre projects, which can be funded directly off the Bora Africa balance sheet.

Bora is also in advanced discussions with British Investment International, the UK government funded development finance institution, for an equivalent perpetual preference note subscription, the proceeds of

which are expected to be applied towards both the acquisition of completed assets and to fund prospective pipeline.

These mezzanine financing instruments are accounted as equity instruments under IFRS and are expected to fund the long term future growth and furthering of the Bora strategy.

By Order of the Board

2 September 2024

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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**NOTES:**

Grit Real Estate Income Group Limited is the leading pan-African impact real estate company focused on investing in, developing and actively managing a diversified portfolio of assets in carefully selected African countries (excluding South Africa). These high-quality assets are underpinned by predominantly US\$ and Euro denominated long-term leases with a wide range of blue-chip multi-national tenant covenants across a diverse range of robust property sectors.

The Company is committed to delivering strong and sustainable income for shareholders, with the potential for income and capital growth. The Company holds its primary listing on the Main Market of the London Stock Exchange (LSE: GR1T and a dual currency trading secondary listing on the Stock Exchange of Mauritius (SEM: DEL.N0000 (USD) / DEL.C0000 (MUR))

Further information on the Company is available at [www.grit.group](http://www.grit.group)

**Directors:** Peter Todd (Chairman), Bronwyn Knight (Chief Executive Officer) \*, Gareth Schnehage (Chief Financial Officer) \*, David Love+, Catherine McIlraith+, Jonathan Crichton+, Cross Kgosidiile, Lynette Finlay + and Nigel Nunoo+.

(\* Executive Director) (+ independent Non-Executive Director)

**Company secretary:** Intercontinental Fund Services Limited

**Registered office address:** PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 4HP

**Registrar and transfer agent (Mauritius):** Intercontinental Secretarial Services Limited

**SEM authorised representative and sponsor:** Perigeum Capital Ltd

**UK Transfer secretary:** Link Assets Services Limited

**Mauritian Sponsoring Broker:** Capital Markets Brokers Ltd

This notice is issued pursuant to the FCA Listing Rules, SEM Listing Rule 15.24 and the Mauritian Securities Act 2005. The Board of the Company accepts full responsibility for the accuracy of the information contained in this communiqué.

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